

Message Text

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PAGE 01 ADDIS 00045 021532Z

44

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 7568

INFO AMEMBASSY PARIS

AMEMBASSY NAIROBI

AMEMBASSY LONDON

AMCONSUL ASMARA

UNCLAS ADDIS ABABA 0045

E.O. 11652: N/A

TAGS: EFIN ET

SUBJ: ETHIOPIAN INSURANCE AND BANKING SECTORS REORGANIZED

REF: ADDIS ABABA 0032 OF JAN 2, 1975

SUMMARY: THE ETHIOPIAN GOVT ANNOUNCED CONSOLIDATION OF FORMERLY PRIVATE BANKS AND INSURANCE COMPANIES WHICH WERE NATIONALIZED ON 1 JAN 75 INTO LARGE HOLDING COMPANIES AFFECTIVE 1 JAN 76. ADDIS ABABA BANK, BANCO DI ROMA, AND BANCO DI NAPOLI WERE MERGED AS THE ADDIS BANK. THE 13 INSURANCE COMPANIES WERE MERGED INTO THE ETHIOPIAN INSURANCE CORPORATION. BOTH MOVES HAD BEEN LONG RUMORED AND THE EFFECT ON BANKING AND INSURANCE OPERATIONS WILL PROBABLY BE MINIMAL. END SUMMARY

1. ON DEC 31, 1975, THE GOVERNOR, TAFARRA DEGUEFE, AND THE VICE GOVERNOR, TADESSA GEBRE KIDANE, OF THE NATIONAL BANK OF ETHIOPIAN ANNOUNCED THAT THE FORMERLY PRIVATE BANKS AND INSURANCE COMPANIES IN ETHIOPIA WERE BING GROUPED INTO NEW INSTITUTIONS. THREE BANKS -- ADDIS ABABA BANK, BANCO DI ROMA AND BANCO DI NAPOLI -- HAVE BEEN MERGED INTO THE ADDIS BANK. THE NEW ADDIS BANK WILL INCUDE THE 25 BRANCHES OF THE ADDIS ABABA BANK,
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PAGE 02 ADDIS 00045 021532Z

8 BRANCHES OF THE BANCO DI ROMA,AND 3 BRANCHES OF BANCO DI

NAPOLI (ALL IN NORTHERN PROVINCE OF ERITREA). THE ADDIS BANK WILL HAVE COMBINED ASSETS OF ETH\$212 MILLION, APPROXIMATELY ONE-THIRD OF THAT OF COMMERCIAL BANK OF ETHIOPIA (CBE). CBE WHICH HAS ALWAYS BEEN GOVERNMENT-OWNED BANK IS UNAFFECTED BY NEW PROCLAMATION. DBE AND ADDIS BANK WILL THUS BE ONLY COMMERCIAL BANKS IN ETHIOPIA. ALTHOUGH BOTH ARE GOVT-OWNED AND UNDER DIRECTION OF NATIONAL BANK OF ETHIOPIA, THEY ARE EXPECTED TO COMPETE ON QUALITY OF SERVICE. CBE IS EXPECTED TO CONTINUE TO DOMINATE LOCAL BANKING SCENE. YUSSUF IBRAHIM, FORMER GEN MGR OF BANCO DI ROMA, WAS NAMED GEN MGR OF ADDIS BANK. HE IS HIGHLY REGARDED IN THE PRIVATE BUSINESS COMMUNITY.

2. ADDIS ABABA BANK WAS 40 PERCENT OWNED BY NATIONAL AND GRIDLEAY'S (UK) PRIOR TO NATIONALIZATION. FIRST NATIONAL CITY BANK IN MINORITY SHAREHOLDER IN NATIONAL AND GRINDLAY'S AND THUS HAD INDIRECT INTEREST IN ADDIS ABABA BANK. DEPT AND EMB NAIROBI MAY WISH TO INFORM APPROPRIATE FNCB OFFICIALS OF DEVELOPMENTS.

3. 13 PRIVATE INSURANCE COMPANIES ARE BEING CONSOLIDATED INTO ETHIOPIAN INSURANCE CORPORATION (EIC). YESUS WORK ZAFU HAS BEEN NAMED ACTING GEN MGR OF EIC. RATES AND PREMIUMS WILL BE STANDARDIZED, "UNNECESSARY AND UNHEALTHY COMPETITION DONE AWAY WITH", AND ECONOMIES OF SCALE REALIZED. ALTHOUGH NOT YET CLEAR, IMPACT OF CONSOLIDATION UPON INSURANCE OPERATIONS WILL PROBABLY BE SLIGHT. INCLUDED AMONG THE FORMERLY PRIVATE INSURANCE FIRMS IS ETHIOPIAN-AMERICAN LIFE INSURANCE COMPANY, SUDSIDIARY OF AMERICAN LIFE INSURANCE OF WILMINGTON, DEL. DEPT AND EMB NAIROBI MAY WISH TO INFORM US FIRM OF THESE DEVELOPMENTS.
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